



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Accountability Audit Report

Douglas County

For the period January 1, 2013 through December 31, 2013

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Washington State Auditor Troy Kelley

December 29, 2014

Board of Commissioners
Douglas County
Waterville, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for County operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our report on the County's compliance and safeguarding of public resources. Our independent audit report describes the overall results and conclusions for areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

TROY KELLEY
STATE AUDITOR

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AUDIT SUMMARY

Results in brief

In the areas we audited, County operations complied with applicable requirements and provided adequate safeguarding of public resources. The County also complied with state laws and regulations and its own policies and procedures in the areas we examined.

About the audit

This report contains the results of our independent accountability audit of Douglas County from January 1, 2013 through December 31, 2013.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

Our audit involved performing procedures to obtain evidence about the County's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Chelan-Douglas Regional Support Network
- Safeguarding of small and attractive assets
- County fairgrounds

STATUS OF PRIOR AUDIT FINDINGS

The status of findings contained in the prior years' audit reports of Douglas County is provided below:

1. The Chelan-Douglas Regional Support Network (RSN) internal controls are inadequate to ensure proper accounting and contract oversight.

Report No. 1009512, dated February 14, 2013

Background

We reviewed revenue and expenditure reports submitted to the Department of Social and Health Services Division of Behavioral Health and Recovery from January 2011 through June 2012 to identify if transactions were supported by the RSN's accounting records. We determined the RSN's accounting system does not follow prescribed *Budgeting, Accounting and Reporting System* (BARS) manual accounting and contained unexplained variances. We identified variances between what was reported to the state and the RSN's accounting records of approximately \$24,600 in Medicaid funds. There was insufficient data to explain the transactions. We also identified a variance of approximately \$27,800 from month-end reconciliations that could not be explained. We believe these variances are due to a lack of clear accounting records.

We reviewed 88 payments to the RSN's four largest service providers from January 2011 through October 2012 to determine if contract provisions were being monitored and if overpayments had occurred. We identified contract monitoring deficiencies and overpayments to one service provider. We identified five months in which one service provider was overpaid a total of \$5,000. This same service provider was paid approximately \$3.2 million during 2011 and did not meet its minimum case load contract requirement. The contract allows penalties to be assessed up to 3 percent of the monthly contract amount if there are contract violations, including meeting minimum case loads. An interim RSN director was appointed July 2012 and started consistently assessing penalties August 2012. For the 15 months prior, RSN management did not apply penalties, totaling \$123,195.

We reviewed reserve fund balances of the RSN and determined that, although the RSN had minimum restricted reserves, it does not have sufficient unrestricted non-Medicaid funds to pay expected future expenses. This would require the RSN to request operating transfers and/or inter-fund loans from the County's general fund in order to cover non-Medicaid expenses.

We recommended the County:

- Provide RSN staff training on the State Auditor's Office *Budgeting, Accounting and Reporting System* (BARS) manual for mental health programs accounting and reporting requirements.
- Establish internal controls to monitor service provider contract provisions.
- Establish a strategic plan to address financial impacts of unexpected expenses and maximize revenue. We further recommended the County routinely monitor and update this plan to achieve desired results.

Status

The RSN has addressed the matters identified in the 2011 audit. We reviewed the RSN's status during the current audit and consider these issues resolved.

2. The North Central Washington Fair lacks adequate internal controls over cash receipting and insurance coverage, resulting in the County not collecting all money due and being exposed to a potential liability.

Report No. 1006566, dated October 17, 2011

Background

The North Central Washington Fair rents its community hall to the public. In 2010 it collected \$57,882 in rental fees. During the audit, we noted issues regarding rental contracts and cash receipting that we found in our previous audit continued. Specifically:

- Fair staff did not always charge rent, insurance and security deposits in accordance with the Board-approved fee schedules or in amounts specified in contracts.
- Fair staff did not keep applications for community hall rentals that would support the fee charged.
- Receipts did not always indicate the type of payment and were not issued in chronological order. Staff did not keep all voided receipts. Copies of some receipts were missing.
- Staff did not reconcile amounts collected to amounts due to ensure all money received was deposited.
- Staff did not make all deposits in a timely manner.
- One person performs all accounting functions, including preparing the rental contract and receipting and depositing with no independent monitoring.

- Fair staff did not ensure renters had the proper insurance coverage.

Despite prior audit recommendations, the fair staff did not make it a priority to follow County policies and procedures to ensure all money receipted is being deposited. This resulted in the County not collecting all money due to it and creating a potential liability.

Status

Fair staff is still addressing the matters identified during the 2010 audit. Recommendations were made in the 2011 and 2012 audits. We also provided a recommendation in the current audit to continue taking steps to resolve these matters. We will review the staff's progress during the next audit.

RELATED REPORTS

Financial

Our opinion on the County's financial statements and compliance with federal grant program requirements is provided in a separate report, which includes the County's financial statements.

Federal grant programs

We evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the County's major federal programs, which are listed in the Federal Summary section of the financial statement and single audit report.

INFORMATION ABOUT THE COUNTY

Douglas County was incorporated in 1883 and currently has a population of approximately 37,000 residents. The main sources of revenue for the County include agriculture, health care, retail trade services and tourism.

The County is governed by an elected, three-member Board of Commissioners. Additional elected officials include Treasurer, Auditor, Assessor, Clerk, Sheriff and Prosecuting Attorney. The County operates on an approximately \$59 million annual budget. Its 200 employees provide a variety of services including law enforcement, road maintenance, planning and zoning, parks and recreation, judicial administration, health and social services.

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Information current as of report publish date.

Audit history

You can find current and past audit reports for Douglas County at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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